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DATE: March 23, 1999

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
FINANCE AND TAXATION
ANALYSIS**

BILL #: CS/HB 445

RELATING TO: Ad Valorem Tax Exemption

SPONSOR(S): Committee on Community Affairs and Representative Kelly

COMPANION BILL(S): None.

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) COMMUNITY AFFAIRS YEAS 9 NAYS 0
 - (2) FINANCE AND TAXATION YEAS 14 NAYS 0
 - (3) GENERAL GOVERNMENT APPROPRIATIONS
 - (4)
 - (5)
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I. SUMMARY:

The Committee Substitute for House Bill 445 increases the income limitation with respect to the ad valorem tax exemption for the homestead of a paraplegic, hemiplegic or other totally and permanently disabled person.

In addition, the bill changed the annual gross income reporting requirement associated with the income limitation to once every third year. However, the amendment by Finance and Taxation removed this provision.

The bill has an estimated negative recurring local impact of \$8.5 million.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Currently, section 196.101, Florida Statutes provides a total exemption from ad valorem taxes for the homestead of any person who is quadriplegic, paraplegic, hemiplegic, or other totally and permanently disabled person, who must use a wheelchair for mobility or who is legally blind.

The person applying for homestead must meet the following requirements:

1. They must submit a certificate of disability from two licensed doctors of this state or from the United States Department of Veterans Affairs or its predecessor to the property appraiser of the county wherein the property lies, as prima facie evidence of the fact that he or she is entitled to such exemption.
2. They must be a permanent resident of this state and submit an affidavit that is prima facie proof of such residency.

Furthermore, unless the individual is a quadriplegic, the gross income of all persons residing in or upon the homestead for the prior year can not exceed \$14,500. (Adjusted annually since January 1, 1990, according to the consumer price index) Such individuals are required to submit a sworn statement of gross income and the filing of such statement must be accompanied by copies of federal income tax returns for the prior year, wage and earnings statements (W-2 forms), and other documents deemed necessary, for each member of the household.

B. EFFECT OF PROPOSED CHANGES:

The Committee Substitute for House Bill 445 increases the income limitation with respect to the ad valorem tax exemption for the homestead of a paraplegic, hemiplegic or other totally and permanently disabled person. Furthermore, the bill changes the annual gross income reporting requirement associated with the income limitation to once every third year.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

N/A

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

N/A

(3) any entitlement to a government service or benefit?

N/A

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

If local governments raise local property tax rates in order to offset the revenue loss caused by this exemption, taxpayers who do not receive this exemption may see their taxes increase.

b. Does the bill require or authorize an increase in any fees?

No.

c. Does the bill reduce total taxes, both rates and revenues?

The committee substitute increases income limitation requirements for paraplegic, hemiplegic, other disabled persons requiring the use of a wheelchair and the legally blind to qualify for a total exemption from ad valorem taxation on their homesteads.. Therefore, this exemption will be available to a greater number of disabled persons.

d. Does the bill reduce total fees, both rates and revenues?

No.

e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

N/A

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

N/A

4. Individual Freedom:

a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

N/A

b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A

5. Family Empowerment:

a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

N/A

(2) Who makes the decisions?

N/A

(3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

N/A

(5) Are families penalized for not participating in a program?

N/A

b. Does the bill directly affect the legal rights and obligations between family members?

N/A

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

Section 196.101, Florida Statutes.

E. SECTION-BY-SECTION ANALYSIS:

SECTION 1: Amends subsection, 196.101, (4), Florida Statutes, to increase an income limitation to the median income for the state of Florida for the previous calendar year with respect to the ad valorem tax exemption for the homestead of a quadriplegic, paraplegic, hemiplegic or other totally and permanently disabled person; changes requirement of annual submission of certain documents related to said income limitation to once every three years.

SECTION 2: This act takes effect January 1, 2000.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

N/A

3. Long Run Effects Other Than Normal Growth:

N/A

4. Total Revenues and Expenditures:

N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

This bill has a negative impact of \$8.5 million on local revenues.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

N/A

2. Direct Private Sector Benefits:

N/A

3. Effects on Competition, Private Enterprise and Employment Markets:

N/A

D. FISCAL COMMENTS:

None.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. **APPLICABILITY OF THE MANDATES PROVISION:**

The bill will not require local governments to spend funds or take action requiring the expenditure of funds.

B. **REDUCTION OF REVENUE RAISING AUTHORITY:**

The bill reduces the authority that local governments have to raise revenues in the aggregate. The estimated negative fiscal impact of \$8.5 million triggers the mandates provision and a two-thirds vote will be required on this bill.

C. **REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:**

The bill does not reduce the percentage of state tax shared with local governments.

V. **COMMENTS:**

Because this bill requires that taxpayers submit their income statement only once in three years as opposed to the current annual requirement, the possibility of fraud and abuse of this exemption is increased by this bill. Individuals could defer income in order to reduce their income in a particular tax year in order to qualify for the exemption even though their average income exceeds the median income for the state. In addition, if an individual's financial situation improved, there would be a potential lag of two years before it would be discovered that they were no longer eligible for this exemption.

VI. **AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:**

The Committee on Community Affairs adopted the bill unanimously as a committee substitute on March 1, 1999. The amendments engrossed in the CS: increase the income limitation with respect to the ad valorem tax exemption for the homestead of a paraplegic, hemiplegic or other totally and permanently disabled person; and change the annual gross income reporting requirement associated with the income limitation to once every third year.

On March 23, 1999, this bill was amended by the Finance and Taxation Committee. The amendment removed the provision of the bill that would have changed the filing requirement to every three years. Thus, under the bill as amended the current annual filing requirement would remain.

VII. **SIGNATURES:**

COMMITTEE ON COMMUNITY AFFAIRS:

Prepared by:

Lisa C. Cervenka

Staff Director:

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AS REVISED BY THE COMMITTEE ON FINANCE AND TAXATION:

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